GOVERNMENT OF INDIA
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
LOK SABHA

UNSTARRED QUESTION NO:850
ANSWERED ON:31.07.2006
CLOSURE OF EDIBLE OIL UNITS
Meghwal Shri Kailash

Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

(a) whether several edible oil production units face closure in view of unequal competition from cheaper duty free import of edible oil from Sri Lanka and some other countries; and

(b) if so, the steps proposed/taken to make these units viable to prevent closure and check unemployment among the workers of such units?

Answer

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE AND MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD & PUBLIC DISTRIBUTION (DR. AKHILESH PRASAD SINGH)

(a): The closure of several edible oil production units was/is on accounts of various factors, such as creation of production capacity not commensurate with availability of raw materials, obsolete technology, poor economies of scale, shift in consumer preference towards soft oils, competition from cheaper duty free imports of vanaspati, etc. from Sri Lanka and some other countries.

(b): Some of the steps proposed/taken to improve the health of vegetable oil industry include:

(i) Import of oilseeds/edible oils except copra/coconut oil has been allowed on OGL.

(ii) Import duty on certain vegetable oils of edible grade intended for manufacture of refined oil/vanaspati is levied at a concessional rate.

(iii) Import duty on certain crude vegetable oils of edible grade has been kept low as compared to refined oils to facilitate raw material availability.

(iv) In order to encourage production of solvent extracted oils in the country and to promote export of extractions, excise duty on food grade hexane has been reduced from 32% to 16%.

(v) Excise duty on refined edible oils/vanaspati/interesterified fat etc. has been withdrawn.

(vi) Import duty on vanaspati, bakery shortening, interesterified fat, margarine has been raised from 30% to 80%.

(vii) Duty free import of vanaspati from Nepal and duty free import of vanaspati, bakery shortening & margarine from Sri Lanka have been canalized through State Trading Corporation of India Ltd. (STC) and National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED) respectively.

(viii) In order to harmonize the interests of farmers, processors and consumers, the import duty structure on edible oils is reviewed from time to time.

(ix) Tariff Value is fixed from time to time for palm oil & its products and soybean oil.